

Draft of testimony for expansion of Medicaid – the faith perspective.

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I am speaking on behalf of the Metro Coalition of Congregations. This includes about 30 churches from the suburbs around Detroit. I am also speaking on behalf of Michigan Prophetic Voices – about 500 clergy from across Michigan. As people of faith, we believe it is our moral duty to advocate for health care for everyone. We have been studying the issues since last fall, and we believe the Governor's proposal for expanding Medicaid eligibility is the best practical option available. We believe that the poor should have health insurance, and Medicaid is the only practical way to provide that insurance now. There are many good reasons to support the Governor's plan. We have not heard good reasons to oppose it. Some say that this country cannot afford to expand Medicaid. But expanding Medicaid will cost the country about ½% of our GDP. Clearly, we can afford to spend ½ % of our GDP on health care for the many poor people who don't have health insurance now. And the real cost is much less, because we are already paying for emergency room visits and hospital care for people who get sicker than they would if they had Medicaid. It is not a question of whether we can afford it, but what priority we place on caring for the poor.

There are strong reasons to support the governor's plan to expand Medicaid eligibility. It will provide health insurance for about 500,000 poor people, it will save the state budget \$1B over 10 years, and it will bring \$1-2B of federal money into the state each year. We have submitted a 2-page discussion of the many other strong reasons to support this plan.

When we consider HB4714, we do not think that it is as good as the Governor's plan. We do not support the 48 month limit on Medicaid. There are able bodied adults who are not capable of rising out of poverty. There will be recessions in the future that will push vulnerable people back into poverty. We do not support the idea of poor people contributing 5% of their income for Medicaid. 2% seems like a more reasonable number for people who are just barely scraping by. We do not support the requirement that the federal government pay 100% of the cost, including all of the administrative cost. This looks to us like a poison pill to force the federal government to reject our waiver request. We note that a University of Michigan study shows that the expanded Medicaid is a very good deal for Michigan, even when we are paying 10% of the cost after 2020. Because federal dollars will displace some state costs for things like mental health, the net state cost for expanded Medicaid will be less than \$100 per person covered. We also urge the bill to be corrected so it does not leave a gap in coverage for young people below the age of 21.

Thank you

Why We Should Support Accepting Federal Money for Medicaid

Key Reasons

- **Provide health care for 500,000 poor people in Michigan.** There is no other near-term affordable way to do this. Medicaid allows people to get primary and preventive care through their own doctor that they can see regularly. This saves money compared to emergency rooms or allowing them to get very sick and then treating them in a hospital.
- **Save the state budget over one billion dollars over the next ten years.** Shifts state costs like Community Mental Health and health costs for some prisoners to the federal government.
- **Bring one to two billion dollars of our money from the federal government back to our state.** Our state legislators can't cut our federal taxes, but they can bring some of that federal money back to the state instead of giving it to other states.
- **Make the state more attractive to business by cutting employer health insurance costs.** Everyone who has health insurance pays for emergency room and hospital bills for the poor who don't have insurance. That increases our health insurance premiums by as much as \$1000. That is a hidden tax on every employer that provides health insurance. If we decline the federal money, we put our businesses at a significant disadvantage compared to states that do accept the money.
- **Ends a perverse incentive that limits poor people from working more.** Poor parents who make less than 50% of the federal poverty level currently get Medicaid. If they increase their income to above 50%, they lose Medicaid. Similarly, single adults who increase their income above 35% of the poverty level lose Medicaid. If we accept the federal money and expand Medicaid eligibility to 133% of the poverty level, then poor people can work harder and possibly get out of poverty without losing health care. For every parent who moves above 50% of the poverty level, the state match for Medicaid funding drops from 33% to a maximum of 10%. (This large bonus savings to the state budget is not included in the \$1B savings to the state budget for the next decade) The poor have an incentive to get up above 133% of the poverty level, because then they are eligible for tax credits for private health insurance, which is preferable to Medicaid (no stigma and more widely accepted by doctors.)

Additional Information

The issues for accepting federal money have been analyzed by Governor Snyder's office and the state Senate and House Fiscal Agencies. An independent report comes from a U of M study: "Medicaid Expansion: Michigan Impact—State Budgetary Estimates and Other Impacts", Oct. 14, 2012 (To find this, Google: CHRT Medicaid). All come to similar conclusions. If we agree to expand eligibility for Medicaid, the federal government will pay 100% for the first few years, and then gradually reduce their coverage to 90%. There are about 500,000 poor people who would become eligible for this federal expansion of Medicaid. Some of these people are currently receiving limited state money for health care, which could be largely paid by the federal government. Because of the initial 100% funding by the federal government, the net state budget savings over the first 10 years would be above \$1B. Even when the state is paying 10%, the costs will be largely offset by savings in other health programs. The U of M study predicts that when the state is paying its 10% share, the state cost per covered person is only \$83.

It is true that we can't be sure the federal government will continue with their 90% match. But if they change the rules, the Supreme Court has said that we can stop participating. So it makes good sense to accept the federal money now.

Other Reasons to Accept Federal Money to Expand Medicaid Eligibility

- Compared to the uninsured, people on Medicaid are healthier. They are more likely to have a primary care doctor, to get regular checkups, and to control chronic conditions like high blood pressure and diabetes.*
- Currently, the uninsured rely on emergency rooms and a patchwork of subsidized clinics and other programs. This is inefficient and ineffective. The emergency room is a very high cost way to treat chronic conditions, and many people fall through the cracks.
- People who make less than the federal poverty level (\$11,500 for a single person, \$19,500 for a family of 3) cannot afford health insurance. Expanding Medicaid is the only currently feasible way to provide health insurance for many of them. People with slightly higher income can get tax credits for insurance.
- This will help veterans and their families. Veterans who are struggling with physical or mental injuries and their caregivers may have limited employment options. They are likely to have low incomes that will make them eligible if we expand Medicaid. Most are eligible for VA healthcare, but many can't travel to VA facilities, and many are caught in red tape.
- Expanding Medicaid could improve the financial position of hospitals and reduce the cost of employer provided health insurance. When the uninsured get very sick, they are treated at hospitals. This uncompensated care costs Michigan hospitals \$2.4B* per year, which leads to increases in charges to private insurance to help cover the losses.
- Medicaid covers treatment of mental health problems and substance abuse which reduces crime.**
- Poor kids are currently eligible for Medicaid even if their parents are not, but their parents don't know it. If the whole family is eligible, it is more likely the kids will be enrolled.**
- Reduction of child abuse and neglect through comprehensive mental health services for parents.**
- Coverage for women, prior to pregnancy, may reduce fetal alcohol exposure**
- Troubled young adults would have greater access to mental health services.**

*U of M study: "Medicaid Expansion: Michigan Impact—State Budgetary Estimates and Other Impacts", Oct. 14, 2012 (To find this, Google: CHRT Medicaid)

Governor Snyder and the state House and Senate Fiscal Agencies provide similar predictions of large state budget savings if we accept federal dollars to expand Medicaid. We can take these savings now, and leave the program later if the federal cost sharing rules change. And Governor Snyder proposes putting half the budget savings from accepting federal money for Medicaid into a savings account, to guard against possible future program costs.

** <http://www.mlpp.org/50-law-enforcement-leaders-say-expand-medicaid-eligibility>